

February 25, 2014

Testimony
General Law Committee Hearing

Peter Aziz
President
Bantam Home & Energy
Bantam, CT

Heating Oil, BioHeat, and Propane Distributor

As a small business owner, I'm naturally afraid of the way any new legislation (HB 5260, AN ACT CONCERNING HEATING FUEL DELIVERY FEES, CHARGES AND SURCHARGES AND PREPAID GUARANTEED HEATING FUEL PRICE PLAN CONTRACTS) may create an unlevel playing field, how it will affect our ability to compete, and how it will affect our ability to offer customers creative solutions to volatile energy prices.

As the Chairman of CEMA, I also look at this situation the way you do, from the perspective of what is good for CT energy consumers. We all agree on the following points:

1. Many consumers want pre-paid fuel opportunities, and they would be upset if we took that away from them;
2. Many companies want to be able to offer pre-paid fuel opportunities;
3. We want consumers to take only reasonable financial risks, not unreasonable risks;
4. We know we can't legislate the risk out of every transaction in life.

Let me clarify that last point. We take risks every day of our lives, and we're confident those risks are reasonable. Driving over a bridge is a reasonable risk... not because we are guaranteed the bridge won't fail, but because the state mandated that the bridge had to be built to generally accepted standards of engineering and construction.

Just like a bridge, we can't guarantee that no fuel company will ever fail. We can't eliminate that risk from people's lives, but we should make sure people don't take unreasonable risks with basic necessities like their home heating.

If we are to preserve pre-paid fuel opportunities for consumers, we must make sure those contracts are designed and constructed, like the bridge, according to generally accepted standards.

That level of regulation already exists! The law already requires that 80% of every gallon sold at a fixed price be covered with inventory, forward contracts, physical supply contracts, or other verifiable hedging instruments.

Not only must the dealer certify this to the Dept. of Consumer Protection every year, but it must be on each and every signed contract with each customer.

That's how the state makes sure that our bridge is well designed, engineered, and constructed. The existing law is comprehensive and appropriate.

I spoke with our insurance experts, and discovered exactly what you've already heard today: A surety bond that would perform as the proposed legislation suggests does not exist yet. But if one were to be made available, it would be very expensive to consumers, extremely difficult to obtain, and extremely cumbersome to manage.

For these reasons, many companies would find it impossible to continue offering pre-paid fuel opportunities, and that would undo the goals we agreed upon at the outset:

- That people want prepaid fuel opportunities
- And that companies want to be able to offer them

We urge you to consider that the existing law already achieves the goal of protecting consumers from taking unreasonable risks by mandating that prepaid fuel programs are properly engineered and constructed. And that the proposed bond requirement would actually serve to undermine the very programs people want protected.

Please oppose HB 5260, AN ACT CONCERNING HEATING FUEL DELIVERY FEES, CHARGES AND SURCHARGES AND PREPAID GUARANTEED HEATING FUEL PRICE PLAN CONTRACTS.

Thank you,

Peter A. Aziz